

Message Text

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PAGE 01 CANBER 01276 270724Z

17

ACTION AGR-08

INFO OCT-01 ARA-06 EUR-12 EA-06 IO-10 ISO-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 FEA-01 SAJ-01 NIC-01 SAM-01 /116 W

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R 270633Z FEB 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5157

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

USMISSION EC BRUSSELS

USMISSION GENEVA

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PASS: AGRICULTURE FOR MEEKER

E.O. 11652: N/A

TAGS: EAGR, ETRD, EGEN, AS

SUBJECT: USSR - AUSTRALIAN BEEF CONTRACT

1. MORE DETAILS ON THE 40,000 MT BEEF SALE TO USSR
ARE SURFACING ALTHOUGH GOA AND MEAT BOARD ARE STILL
KEEPING TIGHT WRAPS ON DETAILS. THE CIF PRICE APPEARS
CONFIRMED AT \$US700/MT AS REPORTED. THE MEAT BOARD
HAS PUT OUT TENDERS FOR FROZEN HINDS AND CROPS AT
\$A462.97/MT, FAS. THE MEAT BOARD WILL COVER ALL
EXPORT CHARGES INCLUDING WHARFAGE, COLD STORES AT
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PAGE 02 CANBER 01276 270724Z

DOCK AND THE 1.6 CENTS POUND WORKS BACK TO AN AUCTION

PRICE ABOUT 9 TO 10A CENTS PER POUND (DRESSED).

2. THE CONTRACT CALLS FOR AN EQUAL NUMBER OF HINDS AND CROPS OF FIRST, SECOND AND THIRD QUALITY BULLOCK, AND/OR COW OF SECOND AND THIRD CLASS. HINDS ARE TO BE IN RANGE OF 40 TO 75 KG AND CROPS (FORES WITH BRISKET REMOVED) NOT LESS THAN 27 KG. ANIMALS CAN BE UP TO 6 YEARS, BUT MUST NOT HAVE BEEN IN COLD STORES FOR MORE THAN 2 MONTHS.

3. THE MEAT BOARD HAS REPORTEDLY ABOUT COMPLETED NEGOTIATIONS WITH SWEDISH SHIPPING COMPANY (SALEN) FOR SHIPPING MEAT TO USSR. HOWEVER, THE SOVIETS HAVE OPTION OF FIRST REFUSAL IF THEY CAN SHIP THE MEAT CHEAPER IN THEIR OWN VESSELS. NO DETAILS ON SHIPPING CONTRACT HAVE BEEN RELEASED; HOWEVER, INDUSTRY SOURCE INFORMED AGATTACHE THE COST IS LIKELY TO BE ABOUT \$US225/MT. THIS IS SLIGHTLY LESS THAN RATE TO U.S. GIVEN A FAS COST OF BEEF AT \$US625/MT, MEAT BOARD WOULD HAVE ONLY \$US75/MT TO COVER FREIGHT CHARGES.

4. SENATOR WRIEDT, MINISTER FOR AGRICULTURE, HAS A SUBMISSION BEFORE THE CABINET FOR A FREIGHT SUBSIDY ON THE 40,000 MT. IF THE FREIGHT RATE REPORTED IS CORRECT, IT WOULD CALL FOR A GOVERNMENT SUBSIDY OF \$US6 MILLION. THIS AMOUNT IS FOR FREIGHT ONLY AND DOES NOT INCLUDE EXPORT CHARGES ABSORBED BY MEAT BOARD.

COMMENT: THE FREIGHT SUBSIDY ISSUE SHOULD BE SETTLED IN THE NEXT FEW DAYS. NO STRONG OPPOSITION IS EXPECTED GIVEN THE CURRENT DEPRESSED SITUATION IN THE BEEF INDUSTRY. THE PROGRAM IS CONSIDERED NECESSARY TO GET SOME BEEF MOVING INTO EXPORT. THE LOW PRICE TO PRODUCERS IN THE CONTRACT IS PERHAPS MORE DISTURBING. THE TOTAL RETURNS TO PRODUCERS WILL NOT BE MUCH MORE THAN THE FREIGHT COST. ANTICIPATE POSSIBILITY OF PUBLIC CRITICISM OF THE LOW EXPORT PRICE TO USSR AS COMPARED TO DOMESTIC CONSUMER PRICE.

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